

Message Text

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PAGE 01 STATE 009693
ORIGIN EB-07

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E.O. 11652: N/A

TAGS: EFIN, GB

SUBJ: GABON'S CREDITWORTHINESS

FOR YOUR INFORMATION, WE REPEAT BELOW OUR REPLY TO A BERNE UNION
INQUIRY REGARDING GABON'S RAPIDLY INCREASING EXTERNAL DEBT ABOUT
WHICH COFACE EXPRESSED CONCERN:

1. WE SHARE YOUR CONCERN ABOUT THE RAPID INCREASE IN GABON'S
EXTERNAL DEBT, WHICH STOOD AT APPROXIMATELY 377 MILLION DOLLARS AT
THE END OF 1974, AT 624 MILLION DOLLARS AT THE END OF 1975, AND NOW
REPORTEDLY AT 950 MILLION DOLLARS AT THE END OF 1975, AND NOW
REPORTEDLY AT 950 MILLION DOLLARS, DISBURSED. IN ADDITION, THERE
IS PRIVATE DEBT GUARANTEED BY THE GABONESE GOVERNMENT OF SOME 200
MILLION DOLLARS.

2. MOST OF THE PUBLIC EXTERNAL DEBT OF 950 MILLION DOLLARS IS
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PAGE 02 STATE 009693

TO BE REPAYED OVER THE NEXT FIVE YEARS AND PRESUMABLY THE GUARANTEED
PRIVATE DEBT ALSO.

3. EXPORT RECEIPTS WERE APPROXIMATELY 1.1 BILLION DOLLARS IN 1976
AND CAN BE ASSUMED TO BE STABLE AT AROUND 1.2 BILLION DOLLARS
FOR THE NEXT FIVE YEARS NOT INCLUDING INCREASED RECEIPTS DUE TO
POSSIBLE HIGHER OIL PRICES. (OIL PRODUCTION IS ESTIMATED AT 13 MILLIO

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TONS PER YEAR FOR 1977-1979, UP FROM 11.3 MILLION TONS IN 1976, BECAUSE OF WATER INJECTION). ON THIS BASIS WE CALCULATE THE DEBT SERVICE RATIO ON EXISTING DEBT TO BE APPROXIMATELY AS FOLLOWS: 21 PERCENT IN 1977; 25 PERCENT IN 1978; 22 PERCENT IN 1979; 21 PERCENT IN 1980; AND 15 PERCENT IN 1981.

4. WITH THE COMPLETION OF THE TRANSGABON RAILROAD TO MOANDA IN 1981, INCREASED RECEIPTS CAN BE EXPECTED THEREAFTER FROM EXPANDED MAN

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GANESE AND TIMBER EXPORTS.

5. THE 1977 BUDGET, BALANCED AT 55 BILLION CFA OR 1 BILLION DOLLARS, UP 32 PERCENT FROM 1976, PROVIDES FOR 270 MILLION DOLLARS IN PUBLIC DEBT SERVICE. THIS AMOUNT DOES NOT INCLUDE PROVISIOS FOR 166 MILLION DOLLARS IN "CREDITS DE PAIEMENTS" FOR CONSTRUCTION CONTRACTS AS WORK IS COMPLETED AND WHICH SERVE, IN PART, TO RETIRE PUBLICLY GUARANTEED TWO-YEAR CONSTRUCTION NOTES, OF WHICH A CONSIDERABLE VOLUME (APPARENT

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LY SOME 70-90 MILLION DOLLARS) HAD REACHED WESTERN CAPITAL MARKETS IN

THE FIRST HALF OF 1976.

6. COUNCIL OF MINISTERS COMMUNIQUE OF DECEMBER 10, 1976, MENTIONS THAT DEBT SERVICE HAD GROWN BY 74.7 PERCENT OVER LAST YEAR, FROM 154 MILLION DOLLARS TO 270 MILLION DOLLARS; ALSO THAT THE GOVERNMENT WOULD INITIATE PROGRAM TO CONSOLIDATE AND PAY OFF SHORT-TERM OBLIGATIONS QUICKLY AND THAT NEW BORROWING WOULD BE LONG-TERM AND RESTRICTED

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PAGE 03 STATE 009693

TO PROJECTS OF PROVEN VIABILITY.

7. THE 1976 BALANCE OF PAYMENTS IS SAID TO BE IN EQUILIBRIUM, BUT A SMALL DEFICIT IS EXPECTED FOR 1977, WHICH, HOWEVER, PROBABLY CAN BE FINANCED FROM RESERVES.

8. WE CONCLUDE THAT ITS EXISTING EXTERNAL DEBT, WHILE HIGH AND RELATIVELY SHORT-TERM, IS MANAGEABLE FOR GABON BUT THAT IT MUST EXERCISE CAUTION IN CONTRACTING NEW DEBT. FOR THIS REASON, WE ARE SELECTIVE AND PAY CLOSE ATTENTION TO THE EXCHANGE EARNING POTENTIAL OF ANY NEW PROJECT FOR WHICH WE MAY BE APPROACHED.

9. AT THE END OF NOVEMBER 1976, OUR EXPOSURE WAS 26.3 MILLION DOLLARS, OF WHICH 22.6 MILLION DOLLARS IN LONG-TERM LOANS AND FINANCIAL GUARANTEED, 3.3 MILLION IN MEDIUM-TERM GUARANTEES AND FCIA INSURANCE, AND THE BALANCE IN SHORT-TERM FCIA COVER. WE HAVE NO OUTSTANDING PRELIMINARY COMMITMENTS.

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Disposition History: n/a
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